M.R.O. 1—71,000—9-4-51.

(1) Number of pages 6

(2) Date of repair 2-6-13

(3) Initials of the Reference

# MADRAS RECORD OFFICE.

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## Government of Madras.

Public (Records) DEPARTMENT.

G.O. No. 1898
2,95-97.

Press Mis.

Dated 19. 7. 18 11.

*Not to be folded or roughly handled*

*Proceedings of the Madras Government, Public Works Department, 18th July 1871.*

No. 298. Read the following letter from the Deputy Secretary to the Government of India, Public Works Department, (Account—Railway,) to the Secretary to the Government of Madras, Public Works Department, (Railway,) dated Simla, 26th June 1871, No. 399 A—R:—

I AM directed to acknowledge the receipt of your letter No. 1,155, dated 24th April, forwarding certain papers relative to the ruling* of the Government of India, under which the cost of certain works on the Guaranteed Railways in India should in future be met from Revenue, and requesting that the orders issued might be re-considered in order to meet the situation of such lines as the Great Southern of India Railway.

* Public Works Dept. Resolution No. 49—54 A—R of 1871.

2. Objection is taken by the Agent of the Great Southern of India Railway to the orders in question, firstly, on legal grounds, and, secondly, on the unsuitability of the provisions of the orders to lines which earn only a small revenue. On the latter point the Agent appears to urge that each line must be legislated for distinctly, and represents that if the assigned limit of Rupees 5,000, within which it has been ruled that no work whatever shall be debited to capital on lines that have been open for more than two years, be suitable for the East Indian Railway which earns a weekly revenue of five lakhs, Rupees 200 would appear to be a proper limit for the railway under his charge with its comparatively small revenue; but, if this line of argument could be admitted, the ratio should, of course, be struck, not only on the mileage return of the two railways, but on their mileage cost. Taking the mileage return solely, the limit on the Great Southern of India Railway would become about one-fourth, instead of one-twenty-fifth, of that on the East Indian Railway, and, allowing for the difference of cost or capital outlay per mile, the ratio would become one-half. The Government of India cannot, however, assent to such an argument.

3. The object of a ruling of this kind is, as stated, to check the undue growth of the capital accounts by the too ready admission of charges which by their individual insignificance do not challenge the same scrutiny and attention as large items necessarily obtain. Any such limitation of the cost of works chargeable to capital must be arrived at in an apparently arbitrary fashion; but it is to be noted that there is a further limitation that no new work, or addition, or improvement to an existing work, or increase to rolling stock, or the like, will, as a rule, be sanctioned as a charge against capital on an open line, unless it be demonstrated that such work will lead to a direct increase of revenue, or be contingent to some addition having that character.

4. There can be no question that the test here prescribed is appropriate and reasonable, and, though it may be argued that the greater the need of increased revenue the less the reason for burdening revenue with the cost of revenue-producing works of small cost, the difficulty inseparable from applying the test to most works—a difficulty which increases as the magnitude and cost of the work diminishes—renders it expedient that a further precaution should be taken against their cost becoming a burden on the undertaking, and the easiest and most practical manner of effecting this is by prescribing a limit to the cost of works to be charged to capital.

5. A limit has accordingly been prescribed, and, though it is only natural that opinions should differ as to the exact point at which the line should be drawn, the consideration that the less the revenue the more the need for preventing the growth of guaranteed capital, suggests that a higher limit should be assigned to the less remunerative undertaking; but, inasmuch as the number of the works rather than their individual cost is the more correct criterion of the burden that will be put on railways under the different circumstances set forth, the Government of India, after the fullest consideration, are unable to assent to the principle of differential limits in any form.

6. As regards the legal aspect of the case, the view expressed by the Consulting Engineer in the 4th paragraph of the memorandum received with your letter under reply, places the matter in a fair light. The contract undoubtedly provides for additions, etc., such as shall properly be chargeable to capital being made with the sanction and approval of the Government. There is, however, no precise formula for guidance in determining what works are properly chargeable to capital, and the experience of the last few years shows how variable is the opinion and practice of English Railway Authorities on this point. As the Government can make the precise incidence of a charge the condition of its sanction to the execution of the work, and, as without such sanction no work can be executed, it follows that, in reality, it remains with the Government to decide the incidence, and, so long as the Government, as one party to the contract, discharges this part of its obligations in a reasonable manner, its decision must be final. If the Company, as the other party to the contract, differs as to the incidence of the charge, and both are agreed as to the necessity for the work, it would remain with the Company to carry out the work, if sanctioned, with revenue funds.

7. The Government of India believe that the recent rulings on this subject are in conformity with the dictates of prudence and the best interests of the Guaranteed Railway Companies, and it is evident that, so long as the State is prepared to bear almost the entire burden, as it virtually does, only one railway having given any return of profit worth speaking of in excess of the guaranteed interest, and that only for one-half of the year, it is scarcely for the Companies to object to the action of the Government in the matter. The present charge for the guaranteed railways on the revenues of India is so serious that it is incumbent on the Governor-General in Council to see that every possible step is taken to prevent any further undue expansion of guaranteed capital, and His Excellency in Council confidently trusts that, after this exposition of the motives of the Government of India, the Government of Madras will agree that preventive measures in this direction are most essentially necessary, and that they should not be relaxed on the worst-paying lines.

8. With regard to the particular case referred to in the papers enclosed in your letter under reply, namely, the incidence of the cost of constructing an ash-pit at Tanjore, I am directed to state that if this work was considered so essential by both the Railway and Government authorities that it was carried out on the sanction given by the Madras Government against revenue, previous to the recent orders coming into force, the Government of India are not prepared to raise any



objections to the charge being debited to capital; but if, on the other hand, the work has not been proceeded with under the sanction already accorded, the work, if constructed at all, should be undertaken at the expense of revenue.

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No. 299. ORDER THEREON, 18th July 1871, No. 1,892.

RAILWAY, No. 35.

COMMUNICATED to the Consulting Engineer for Railways for communication to the Agent of the Great Southern of India Railway with reference to G. O. No. 1,154, dated 24th April 1871.

(True Extract.)

Colonel, R.E.,

*Secretary to Government.*

To the Acting Consulting Engineer for Railways.

Exd. S. T. Augustin

GOVERNMENT OF INDIA.

PUBLIC WORKS DEPARTMENT.

ACCOUNT.

Railway.

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To

THE SECY. TO THE GOVT. OF MADRAS
IN THE P. W. DEPT. (RAILWAY).

No. 399 A—R.

*Dated Simla, 26th June* 1871.

*Received* 5th July 1871.

*The limit within which no work whatever shall be debited to capital on lines that have been open for more than two years.*

C/o-3176

Govt of New South Wales.

PUBLIC WORKS.

Hardy Consulting Engr.
for Railways

18 July 1892.

298+299

G.S.J.R. Letter from Mr. Hardy India passing remarks on the question of the limitation of the prescribed Expenditure chargeable to Capital on the G.S.J. Ry, and also forwarding for Rys with instructions